

217058

STATE OF SOUTH CAROLINA

(Caption of Case)

Lisa Lochbaum
Complainant/Petitioner,

v.

Utilities Services of South Carolina,
Defendant/Respondent.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2009 - 39 - W

(Please type or print)

Submitted by: Benjamin P. Mustian, Esquire

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input checked="" type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other: _____
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<input type="checkbox"/> Other: _____	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
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July 6, 2009

VIA FIRST CLASS MAIL

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
Post Office Box 11649
Columbia, South Carolina 29211

RE: Lisa Lochbaum, Complainant/Petitioner v. Utilities Services of South Carolina,
Inc., Defendant/ Respondent. Docket No.: 2009-39-W

Dear Mr. Terreni:

Enclosed for filing on behalf of Utilities Services of South Carolina, Inc. are the original and twenty-five (25) copies of the Direct Testimony of Bruce T. Haas and the Conditional Direct Testimony of Bruce T. Haas in the above-referenced matter. By copy of this letter, I am serving a copy of these documents upon the parties of record and enclose a Certificate of Service to that effect.

☞ I would appreciate your acknowledging receipt of these documents by date-stamping the extra copies that are enclosed and returning the same to me via our courier.

If you have any questions, or if you need any additional information, please do not hesitate to contact me.

Sincerely,

WILLOUGHBY & HOEFER, P.A.



Benjamin P. Mustian

BPM/cf
Enclosures

The Honorable Charles L.A. Terreni

July 6, 2009

Page 2

cc: Jeffrey M. Nelson, Esquire
Lisa Lochbaum

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-39-W

IN RE:)
)
Lisa Lochbaum,)
)
Complainant/Petitioner)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
)
Defendant/Respondent.)
_____)

DIRECT TESTIMONY
OF
BRUCE T. HAAS

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Bruce T. Haas, and my business address is 110 Queen Parkway, West
3 Columbia, South Carolina 29169.

4 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am Regional Director of Operations for Utilities Services of South Carolina, Inc.
6 ("USSC") for South Carolina and for six other operating subsidiaries of Utilities, Inc. ("UI"),
7 four of which are in South Carolina and two of which are in Georgia.

8 **Q. HOW LONG HAVE YOU BEEN EMPLOYED IN THE WATER AND SEWER**
9 **UTILITY INDUSTRY?**

10 A. Approximately 31 years.

1 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?**

2 A. I first began my employment as a meter reader and maintenance worker in 1978 by
3 Lake Holiday Utilities, Corp., which is also a subsidiary of the Company's parent, UI.
4 During the next several years, I was promoted to Operator and Operating Manager positions
5 for a number of UI subsidiary systems, while earning various water and wastewater licenses
6 in Illinois and Ohio, including the highest levels of water treatment and wastewater treatment
7 licenses from the Illinois EPA. I eventually became the Area Manager for the Peoria, Illinois
8 region, overseeing the water and wastewater facilities in this area. In 1989, I transferred to
9 Charlotte, North Carolina where I accepted the position of Area Manager for several areas for
10 Carolina Water Service, Inc. of North Carolina, a sister subsidiary of the Company, a job I
11 also performed for the Company which involved operations of the River Hills and Tega Cay
12 Systems in York County, South Carolina. I was eventually promoted to Regional Manager
13 while in Charlotte. During this time I also obtained various water and wastewater licenses in
14 Water Treatment, Water Distribution, Wastewater Collection, and Backflow/Cross-
15 Connection certifications from the State of North Carolina and took night courses in Civil
16 Engineering Technology. I also hold the highest levels of water and wastewater certifications
17 for Water Treatment, Water Distribution, Wastewater Treatment and Wastewater Collection
18 from the State of South Carolina. Additionally, I have successfully completed the utility
19 regulation seminar sponsored by NARUC. In 2002, I was promoted to my current position as
20 Regional Director and given responsibility for the Company's systems in South Carolina,
21 along with two subsidiary companies located in Georgia. However, the majority of my time
22 is spent working on issues pertaining to the Company's South Carolina systems.

1 **Q. WHAT ARE YOUR DUTIES WITH USSC?**

2 A. I am responsible for making sure our customers receive the best possible service. As
3 such, I am responsible for all operating personnel, facilities, maintenance and capital
4 projects. I oversee all customer relations issues including resolution of customer complaints.
5 In addition, I am responsible for communications with state and federal regulators, including
6 state utility commissions and environmental authorities as well as other operational issues.
7 In this capacity, I assist USSC with proceedings before the Public Service Commission of
8 South Carolina (“Commission”) and most recently presented testimony on the Company’s
9 behalf in its rate filings in Docket Nos. 2005-217-WS and 2007-286-WS.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING, MR.**
11 **HAAS?**

12 A. The purpose of my testimony is to respond to the direct testimony of Ms. Lisa
13 Lochbaum filed in support of her complaint against the company.

14 **Q. WHAT IS YOUR UNDERSTANDING OF THE ISSUES RAISED BY MRS.**
15 **LOCHBAUM IN THIS PROCEEDING?**

16 A. I understand Ms. Lochbaum’s direct testimony to raise concerns about the
17 Company’s billing procedures, the provision in its Commission approved rate schedule
18 pertaining to the pass-through of bulk water costs incurred by the Company, unaccounted for
19 water in USSC’s water system serving Dutchman Shores subdivision, and the allocation of
20 shared expenses between USSC and UI’s other South Carolina water and sewer utilities.

1 **Q. WHAT COMMENTS DO YOU HAVE REGARDING MS. LOCHBAUM'S**
2 **TESTIMONY ADDRESSED TO DELAYED BILLING OF HER ACCOUNT?**

3 A. First, let me state that USSC, I and all other Company employees regret very much
4 any inconvenience delayed billing has caused for Ms. Lochbaum and other customers. We
5 also regret the fact that delayed billing has caused this proceeding to be brought before the
6 Commission. I would add, however, that the delayed billing problem arose out a well-
7 intended effort. Specifically, and as the Commission is aware, USSC recently converted to a
8 new computer software and hardware system pursuant to the recommendation made in the
9 Management Audit conducted of UI and its subsidiaries by Schumacher and Company at the
10 request of ORS. One feature of the new computer operating system, which USSC brought on
11 line on June 2, 2008, is a program called "Customer Care and Billing" ("CCB") that handles
12 all of the customer consumption and billing functions. In the transition to CCB from
13 USSC's prior billing system, an error occurred in the billings to Ms. Lochbaum and certain
14 other USSC customers. The nature of the error was two-fold. First, because the CCB
15 program contained no historic consumption data, it was necessary to estimate consumption
16 for the initial billing to customers under CCB where an actual meter reading was not
17 available. Unfortunately, the program parameters for estimation set up for the initial billing
18 were set too low. As a result, many of the customers of jurisdictional utilities that are
19 subsidiaries of UI, including USSC, received bills for service rendered in June and July with
20 estimated amounts of water consumption that were significantly less than the actual amounts
21 of water consumption. Second, it appears that errors in the bar coding of June and July bill
22 envelopes may have prevented the postal service from reading the bar codes on bills issued

1 on behalf of UI entities, primarily in South Carolina. UI has since removed the bar code
2 which seems to have alleviated the problem. Ms. Lochbaum was one of the affected
3 customers, and she received no statement in July for June service and no statement in August
4 for July service. As a result, Ms. Lochbaum was undercharged for water service provided in
5 June and July of 2008.

6 Upon discovering these errors, a letter was sent to customers informing them of the
7 error and providing them with information regarding the nature of the error, how it might
8 have affected them, steps being taken to address the effects of the error, assurances that no
9 customer would be penalized as a result of the error, and apologizing for any inconvenience
10 caused by the error. A copy of this letter is attached to my testimony as Exhibit "A". As it
11 reflects, this letter also offered a direct means of contact with the President of USSC's parent
12 company so that customers could provide feedback to him.

13 **Q. HAS USSC NOW BILLED MS. LOCHBAUM FOR THESE UNDERRECOVERED**
14 **CHARGES?**

15 A. Yes. Under Commission Regulation R.103-733.3, USSC is permitted to recover
16 inadvertent undercharges over the period of time in which the undercharges occurred which,
17 in the case of Ms. Lochbaum, would have been only two months. USSC chose, however, to
18 offer twelve-month deferred payment plans to any customers who asserted that recovery of
19 the amount of the undercharge over the normal period contemplated by the rule would create
20 a hardship upon them. USSC's records reflect that Ms. Lochbaum took advantage of that
21 offer and has paid the amount of the undercharge over a twelve month period. USSC has
22 worked, and will continue to work, closely with ORS to address the effect of the billing

1 problems occasioned by the computer error to ensure that no customer suffers economic
2 hardship as a result of the transition of USSC's billing system to CCB.

3 **Q. WHAT IS YOUR UNDERSTANDING OF MS. LOCHBAUM'S TESTIMONY**
4 **REGARDING THE PASS-THROUGH PROVISION OF USSC'S RATE SCHEDULE?**

5 A. I understand Ms. Lochbaum to be asserting that USSC is not employing the pass-
6 through provision of its rate schedule in a manner consistent with Commission orders
7 because we pass through to customers the entire cost of bulk water instead of adjusting our
8 approved water service rates for any increase in bulk water costs.

9 **Q. DO YOU AGREE WITH HER ASSERTION IN THAT REGARD?**

10 A. No, I do not. I believe it is important to first explain how the water rate schedule
11 approved by the Commission for USSC in Docket Number 2005-217-WS is structured and
12 operates with respect to charges rendered to two different types of residential water
13 customers – those who receive water that is supplied from wells owned by USSC and those
14 who receive water supplied by bulk providers. For all customers, USSC is authorized to
15 recover a basic facilities charge, or "BFC." The BFC is a minimum monthly charge that
16 recovers a portion of the fixed costs of utility service such that each customer pays a share of
17 the cost of the water facilities necessary to provide service. All customers also pay a
18 commodity charge, but the amount differs depending on the type of customer. The
19 commodity charge for customers whose water is supplied by USSC is based upon each
20 customer's consumption and is designed to recover costs associated with the production,
21 treatment and transmission of the water supplied.

22 In certain of our water systems, USSC distributes water purchased from bulk

1 suppliers, which are typically governmental entities such as municipalities, counties or
2 special purpose districts. For customers like Ms. Lochbaum who receive bulk supplied
3 water, USSC is authorized to collect a commodity charge related to its costs incurred in
4 distributing the bulk water. This commodity charge is lower than that imposed on customers
5 who are supplied water from USSC's wells. In addition to the BFC and this "reduced"
6 commodity charge, USSC is also allowed to pass through directly to these customers the
7 costs of the bulk water on a pro rata basis without markup. These charges are set out in
8 "Charges for Water Distribution Only" portion of Section 1 of USSC's water rate schedule
9 approved by the Commission in Order Number 2006-22. We refer to customers charged
10 under this portion of our rate schedule as "Distribution Only" customers. On our bills to
11 customers, the pass-through amount is stated separately as the "water supply charge."

12 **Q. IS MS. LOCHBAUM CHARGED FOR WATER IN ACCORDANCE WITH THIS**
13 **PROVISION OF THE COMPANY'S RATE SCHEDULE?**

14 A. Yes. USSC charges Ms. Lochbaum and all of its other customers in Dutchman
15 Shores Subdivision, the BFC, the distribution only customer commodity charge and a pro
16 rata share of the charges incurred from the bulk supplier in accordance with this portion of
17 the Company's Commission approved rate schedule.

18 **Q. DOES USSC RECOVER ANY OF ITS COSTS FOR BULK WATER AS PART OF**
19 **EITHER THE BFC OR THE COMMODITY CHARGE IMPOSED UPON**
20 **"DISTRIBUTION ONLY" CUSTOMERS?**

21 A. No, it does not. When the pass through provision approved by the Commission for
22 use by USSC was placed into effect, the costs for bulk water obtained from governmental

1 suppliers were removed from expenses allowed to USSC for rate making purposes. As is
2 reflected in the “reduced” commodity charge, these costs were removed from USSC’s base
3 rates and are not recovered through either the BFC or the distribution charge. The effect of
4 this change in determining USSC’s allowable expenses was that USSC began to recover the
5 cost of bulk water directly from those customers receiving water supplied by bulk providers
6 instead of USSC. While Ms. Lochbaum appears to suggest that a portion of the water supply
7 charge is contained within the Company’s base rates and that only increases in these charges
8 should be recovered from the customers, this suggestion is simply incorrect and contrary to
9 the clear language in USSC’s Commission approved tariff.

10 **Q. WHAT COMMENT DO YOU HAVE REGARDING MS. LOCHBAUM’S**
11 **CONTENTION THAT USSC HAS NOT PROVIDED NOTICE WHEN BULK**
12 **SUPPLIERS INCREASE THEIR CHARGES TO USSC?**

13 A. I would respectfully disagree with Ms. Lochbaum to the extent that she is asserting
14 that USSC has failed to notify the Commission when a bulk supplier has notified the
15 Company of an increase in its bulk rates. Unfortunately, the only bulk supplier that has ever
16 notified USSC of any increase since this provision of the Company’s rate schedule became
17 effective has been the City of West Columbia. In that instance, USSC informed both the
18 Commission and the customers of the increase although the notice could not be given exactly
19 as contemplated by Commission Order Number 2006-22 in Docket Number 2005-217-WS.
20 This was because the City of West Columbia only provided USSC twenty-four days notice
21 before the increase was to take effect. Additionally, USSC recently became aware that
22 Hammond Water District (“Hammond”) planned to increase its rates for bulk water supply;

1 however, Hammond failed to notify USSC of the pending increase. Once it learned of the
2 rate change, USSC immediately notified the Commission and all of the affected customers in
3 accordance with Order Number 2009-256.

4 **Q. HAS THE COMPANY EXPERIENCED SIMILAR PROBLEMS WITH OTHER**
5 **BULK SUPPLIERS?**

6 A. Yes. In fact USSC has experienced similar notice problems with the City of
7 Columbia which, as I previously stated, provides bulk water to USSC for the system serving
8 Dutchman Shores Subdivision where Ms. Lochbaum resides and which has never provided
9 USSC a notice of any increase in its bulk water charges.

10 **Q. ARE YOU AWARE OF ANY EFFORTS TO ENCOURAGE USSC'S BULK**
11 **SUPPLIERS TO PROVIDE ADVANCE NOTICE TO THE COMPANY OF**
12 **INCREASES IN THEIR BULK RATES?**

13 A. Yes. I am aware that, as a result of the abbreviated notice USSC received from the
14 City of West Columbia, the Commission previously requested ORS to address the need for
15 advance notice from governmental suppliers of bulk water of increases in their rates.
16 According to its letter dated November 14, 2006, filed in Docket No. 2005-217-WS, ORS
17 has mailed requests to each of the bulk suppliers serving USSC requesting that they provide
18 sufficient notice of any increases in their bulk rates. This effort does not appear to have been
19 successful to date, however, as is demonstrated by our experience with Hammond Water
20 District and the City of Columbia. Since the bulk suppliers are governmental entities, it is my
21 understanding that they are exempt from regulation by the Commission and therefore may
22 not be required to provide such notice. Because of these difficulties, the Commission has

1 previously waived strict compliance with the requirements of Order Number 2006-22 in this
2 regard.

3 **Q. MS. LOCHBAUM ASSERTS THAT THE DELAYED BILLING AND HIGH WATER**
4 **PRESSURE ON THE DUTCHMAN SHORES SYSTEM RESULTED IN HIGHER**
5 **THAN NORMAL WATER CONSUMPTION AT HER PROPERTY; WOULD YOU**
6 **PLEASE COMMENT ON THAT?**

7 A. I disagree that Ms. Lochbaum's high consumption is attributable to either of these
8 factors.

9 **Q. WOULD YOU PLEASE ELABORATE?**

10 A. Yes. Regarding the pressure question, it is true that a test conducted at Ms.
11 Lochbaum's residence at her request reflected water pressure in excess of one hundred
12 twenty five pounds per square inch, or "PSI". I would note that this fact did not cause USSC
13 to be "out of compliance" with Commission Regulation 103-774.A.2. This is so because,
14 when the pressure was elevated, it was as a result of increases in pressure in the City of
15 Columbia bulk water distribution system. The increased pressure in the City's system was
16 caused by main breaks in its system which, when repaired, caused a malfunction in the City's
17 water pump control valves. This, in turn, caused increase water pressure in the USSC
18 system. These events were beyond USSC's control.

19 USSC cooperated fully with ORS in its investigation of the matter and provided to
20 ORS documentation of the City's responsibility for the increased pressure and the steps taken
21 by the City to address and correct the problem. In addition, USSC installed digital pressure
22 recording devices at various locations in the Dutchman Shores Subdivision for the purpose of

1 testing pressure at 10%-15% of all service locations. The results of this testing were then
2 submitted to ORS to provide it with a broad-based study of pressure levels in the subdivision.
3 It is my understanding that ORS has since conducted separate meter accuracy tests at all
4 service locations subjected to pressure testing. To USSC's knowledge, there are no current
5 customer complaints regarding excess pressure in the Dutchman Shores Subdivision and I
6 would point out that Ms. Lochbaum's testimony acknowledges that her water pressure is
7 currently within normal limits.

8 Furthermore, while Ms. Lochbaum states that "USSC seems to have remedied the
9 water pressure issue," USSC believes that the resolution of any issues Ms. Lochbaum may
10 have had with water pressure were also a direct result of her subsequent compliance with
11 Lexington County Building Code Ordinance Section 1.4.4, incorporating Section 604 of the
12 International Plumbing Code, a copy of which I have attached to my testimony as Exhibit
13 "B". This ordinance states that a water pressure reducing valve is required in dwellings
14 which are served by systems delivering water at a pressure of eighty PSI. As the
15 Commission is aware, its regulations allow for normal pressure up to one hundred twenty-
16 five PSI. During the time period in which Ms. Lochbaum complained of high water pressure,
17 she did not have the required pressure reducing device installed at her home. However, as is
18 evident from Exhibit A to her testimony, Ms. Lochbaum installed a pressure reducing device
19 at her premises sometime on or after October 21, 2008. Therefore, to the extent that high
20 water pressure could have caused high consumption, which we also dispute, the Company
21 believes that Ms. Lochbaum bears responsibility because she did not have the pressure
22 reducing device installed as required by Lexington County.

1 **Q. HOW WOULD YOU CHARACTERIZE THE “NORMAL” LEVEL OF MS.**
2 **LOCHBAUM’S WATER CONSUMPTION?**

3 A. I would say that it is high, particularly when compared to the average monthly
4 consumption of other customers in Dutchman Shores. Attached to my testimony as Exhibit
5 “C” is a chart showing Ms. Lochbaum’s billed water consumption in gallons from the
6 inception of her account in October of 2006 through the month she filed her complaint,
7 which was January of 2009. During that period, her average monthly consumption was
8 sixteen thousand five hundred twenty-seven (16,527) gallons, although consumption
9 fluctuated considerably from month to month. As this chart reflects, Ms. Lochbaum has had
10 many months where her consumption was in the tens of thousands of gallons and that her
11 consumption in October of both 2007 and 2008 decreased dramatically from the prior two
12 months. By contrast, I would further note that average monthly consumption in Dutchman
13 Shores subdivision during the one-year period ending December 31, 2008, was five thousand
14 seven hundred twenty (5,720) gallons per month, which is almost two-thirds less than Ms.
15 Lochbaum’s average.

16 **Q. WHAT COMMENT DO YOU HAVE ABOUT MS. LOCHBAUM’S SUGGESTION**
17 **THAT DELAYED BILLING PLAYED A PART IN THE LEVEL OF HER**
18 **CONSUMPTION?**

19 A. Given Ms. Lochbaum’s consumption history, I would say that the delay in her billings
20 last summer had no impact on her consumption. She is historically a high user and is
21 obviously attuned to what her statements from USSC reflect in terms of her billed water
22 consumption. She has not previously complained to the Commission about billed

1 consumption, even when it was in multiples of tens of thousands of gallons.

2 **Q. DO YOU HAVE ANY COMMENT REGARDING MS LOCHBAUM'S TESTIMONY**
3 **THAT USSC IS COLLECTING FROM CUSTOMERS IN THE PASS-THROUGH**
4 **MORE THAN IT IS BEING BILLED BY THE CITY OF COLUMBIA FOR BULK**
5 **WATER?**

6 A. Yes. Contrary to Ms. Lochbaum's assertion, customers are not being charged more
7 than what is billed to the Company by the City of Columbia. USSC passes the cost of this
8 bulk water through to customers on a pro rata basis without mark-up. USSC does not earn
9 any return on these charges and only recovers its cost in accordance with the Commission
10 approved rate schedule.

11 **Q. WOULD YOU PLEASE ELABORATE ON THAT ANSWER?**

12 A. Certainly. As the Commission is aware, USSC is authorized under Section One of its
13 approved rate schedule to pass through the full amount it is charged for bulk water by the
14 City of Columbia on a pro rata basis without markup. We do this by spreading the City's
15 charge among all customers in the subdivision based upon their individual metered
16 consumption relative to the metered consumption of all customers in the billing period.
17 Because the City bills USSC for the bulk water the City provides in arrears, the consumption
18 metered at customer premises will not be for the same period of time as the bulk metered
19 consumption. This leads to fluctuations in the pass-through amount shown as the water
20 supply charge on customers' bills. In addition, the bulk charges imposed by the City can also
21 fluctuate. This causes further variances in the amount of pass-through charges to customers.

1 **Q. ON THE SECOND PAGE OF EXHIBIT “B” TO MS. LOCHBAUM’S TESTIMONY,**
2 **CUSTOMER METERED CONSUMPTION IN DUTCHMAN SHORES**
3 **SUBDIVISION DURING THE TWELVE MONTH PERIOD OF SEPTEMBER 10,**
4 **2007, TO AUGUST 11, 2008, IS ASSERTED TO BE EIGHT MILLION SEVEN**
5 **HUNDRED SEVENTEEN THOUSAND TWO HUNDRED FIFTY-TWO GALLONS**
6 **(8,717,252); IS THIS CORRECT?**

7 A. No, it is not. As is shown on the first page of that exhibit, customer metered
8 consumption in Dutchman Shores during that period was actually nine million four hundred
9 two thousand seventy-two gallons (9,402,072), which is a figure I personally verified from
10 Company records. It appears to me that Ms. Lochbaum “backed into” the lower figure
11 shown on page two of her exhibit by taking an average pass-through charge of three dollars
12 and eighty nine cents (\$3.89) and then dividing the City of Columbia’s total bulk water
13 charge of thirty three thousand eight hundred and ninety dollars (\$33,890) by that number.

14 **Q. IS THIS A VALID CALCULATION?**

15 A. No, it is not. The bulk consumption period reflected on page two of her exhibit does
16 not coincide with the customer metered consumption period Ms. Lochbaum appears to have
17 used to calculate an average pass-through charge. In other words, Ms. Lochbaum is
18 comparing charges for bulk consumption with charges for customer consumption over
19 different time periods. Also, this calculation overstates the amount of unaccounted for water
20 during that twelve month period. Having said that, the Company recognizes that
21 unaccounted for water is a legitimate concern and has a proposal to address that concern.

1 **Q. WHAT IS THIS PROPOSAL?**

2 A. The Company proposes that it be allowed to estimate monthly bulk billings by the
3 City of Columbia to generate a “real time” water supply charge for customer bills. We would
4 do this by taking readings of the bulk meter serving the Dutchman Shores subdivision
5 immediately prior to the issuance of our customer bills and use these readings to estimate that
6 month’s cost of bulk water provided by the City. The pass-through amount would be based
7 upon that estimated charge. After the end of each twelve month period in which this process
8 is followed, the Company would add up the total charges imposed by the City and “true up”
9 any difference, positive or negative, between the estimate and actual bulk water charge
10 imposed by the City of Columbia, adjusted for any known system usage or documented leaks
11 not metered to customers, an unaccounted for water allowance of 10% of the bulk metered
12 gallage, and any changes in the City’s rates. The true-up would be effected by a credit or
13 surcharge as appropriate on the first monthly customer bill following the annual period. The
14 Company believes that this is a reasonable means of addressing unaccounted for water levels
15 in excess of the 10% standard and will also address the fact that charges for bulk water and
16 charges to USSC’s customers are based on different time periods. In other words, the pass-
17 through will be closer to real-time in its application and alleviate the effect of different
18 consumption periods on billing. I have attached as Exhibit “D” an example of how the
19 current method affects customer bills and how this proposal, if implemented, will address the
20 concern.

1 **Q. WHY IS A TRUE-UP NEEDED?**

2 A. In addition to adjusting for unaccounted for water in excess of 10%, there needs to be
3 a means whereby increases in bulk water charges by the City which are either not noticed or
4 imposed in the middle of a billing or consumption cycle can be addressed. It will also
5 provide a means for an annual accounting which can be audited.

6 **Q. MS. LOCHBAUM STATES THAT USSC CLAIMED THAT ITS CUSTOMERS**
7 **WERE ONLY SUPPOSED TO SEE A WATER SUPPLY CHARGE OF TWO**
8 **DOLLARS AND EIGHTY NINE CENT PER ONE THOUSAND GALLONS AS A**
9 **RESULT OF THE COMMISSION'S APPROVAL OF THE PASS-THROUGH**
10 **PROVISION OF THE COMPANY RATE SCHEDULE IN 2005; IS THAT**
11 **CORRECT?**

12 A. No. Ms. Lochbaum's testimony cites a pass-through amount that was calculated by
13 ORS with respect to a rate case brought by USSC in 2005. However, neither ORS nor USSC
14 asserted in that proceeding that the amount of bulk water costs recovered from customers
15 would be set based upon the then current per thousand gallon charge imposed by bulk
16 suppliers on USSC. In fact, both USSC's rate schedule and the ORS testimony exhibit
17 described in Ms. Lochbaum's testimony specify that the bulk supply charges will be passed
18 through "on a pro rata basis without markup." This language clearly permits USSC to pass
19 through to customers the entire dollar amount of a bill of a bulk supplier in an amount
20 proportionate to their consumption and that is exactly what the Company has done. And,
21 USSC is not limited to recovering only the supplier's applicable per thousand gallon charge
22 as Ms. Lochbaum's Exhibit "B" suggests. The ORS testimony exhibit she relies upon

1 contemplates that the bulk rate will change inasmuch as it states that bulk charges may
2 contain a base facility charge and a commodity charge imposed by the bulk supplier.
3 Therefore, in those situations, the per-thousand gallon charge passed through by USSC
4 would necessarily be higher than the supplier's commodity charge.

5 **Q. IS MS. LOCHBAUM CORRECT IN HER CONTENTION THAT USSC**
6 **CUSTOMERS HAVE BEEN CHARGED MORE IN PASS-THROUGH CHARGES**
7 **THAN THE CITY OF COLUMBIA HAS BILLED USSC?**

8 A. No. Attached to my testimony as Exhibit "E" is a chart showing the amount USSC
9 collected from customers in Dutchman Shores Subdivision in pass-through charges in the
10 fifteen month period beginning September 2007 and ending November of 2008. This period
11 includes the time frame relating to the bulk charges imposed by the City of Columbia for the
12 twelve month bulk billing period of September 2007 through August 2008 that Ms.
13 Lochbaum uses on page two of her Exhibit "B." As can be seen from this chart, in any
14 twelve months during this fifteen month period, USSC passed through to customers an
15 amount that never exceeded the City's bulk charge to USSC by more than 1.7% and in two of
16 these twelve month periods, the amount passed through was actually 5% less than the amount
17 of the City's bulk charge. Also, this chart demonstrates that the average amount passed
18 through to customers for twelve months during this fifteen month period is \$33,280.75,
19 which is less than the amount passed through by the City as shown on Ms. Lochbaum's
20 Exhibit "B". My Exhibit "E" includes periods that go beyond the twelve months selected by
21 Ms. Lochbaum to take into account the fact that USSC receives bulk bills in arrears and

1 passes them through to customers in arrears. Also, it is necessary to do so to address the
2 delayed billing problems which manifested themselves in July of 2008.

3 **Q. MR. HAAS, WHY WOULD THERE BE DIFFERENCES IN THE AMOUNTS**
4 **PASSED THROUGH AND THE CITY'S BULK CHARGES SUCH AS THOSE YOU**
5 **JUST DESCRIBED?**

6 A. These differences can be attributable to adjustments in customer bills, adjustments in
7 bulk bills, customer accounts being closed, changes in bulk rates and a variety of other
8 factors. I would note that if the Commission approves the Company's proposed "real time"
9 billing of bulk water charges passed through to customers, the consumption periods shown
10 on my Exhibit "E" could be matched to bulk billing periods of the type shown on Ms.
11 Lochbaum's Exhibit "B".

12 Finally, the total charges passed through to USSC's distribution customers will vary
13 due to the fact that the governmental suppliers charge for the total amount of water supplied.
14 This amount includes water consumed by the customers, accounted for water, which includes
15 documented flushing and leaks on the system, and unaccounted for water. Because this
16 amount can vary from month to month, the proportionate amount passed through to
17 customers will similarly vary and affect the monthly pass through amount.

18 **Q. MS. LOCHBAUM'S TESTIMONY IMPLIES THAT USSC IS NOT COMPLYING**
19 **WITH THE PROCEDURE APPROVED BY THE COMMISSION FOR SERVICE**
20 **RENDERED BY KIAWAH ISLAND UTILITY; IS USSC REQUIRED TO FOLLOW**
21 **THE SAME PROCEDURE?**

22 A. No. The rate schedule approved by the Commission for Kiawah Island Utility, or

1 “KIU”, does not contain a pass-through. As described in Order No. 2002-285, the
2 Commission permits KIU to increase its approved **rate** for water service to a customer by the
3 amount of any documented increase in the cost of purchased water acquired by KIU from the
4 St. John’s Water Company. This process allows KIU to avoid the need to periodically
5 request rate relief in order to adjust its **rates** to recover increases in its recurring purchased
6 water expense. I would note that KIU only serves one area and purchases all of its bulk
7 water from a single supplier. By contrast, the pass-through provision in USSC’s approved
8 rate schedule is a means by which the charges imposed by multiple providers of bulk water to
9 USSC are passed through directly to the customers receiving bulk water. As the Commission
10 is aware, USSC serves over 82 systems in eight counties using a number of bulk providers.
11 Therefore, the amount of bulk charges for USSC can change on a monthly basis and USSC’s
12 Commission approved tariff allowing the Company to pass through changes in the amount of
13 bulk water costs when they occur is appropriate.

14 **Q. IS THE COMPANY OPPOSED TO CHANGING THE PASS THROUGH**
15 **PROVISION IN ITS RATE SCHEDULE AS THE MS. LOCHBAUM REQUESTS?**

16 A. Yes, but let me qualify my answer to that question by saying that rate design is a
17 matter within the discretion of the Commission. I would note, however, that elimination of
18 the pass-through provision would necessarily result in these costs being recovered through
19 the Company’s base rates and would result in increases in monthly bills for some customers
20 and decreases in monthly bills for other customers. Furthermore, such a revision in the
21 Company’s currently approved rate schedule would affect all USSC rate payers and could,
22 therefore, only be addressed in a general rate making proceeding.

1 **Q. WHAT IS YOUR RESPONSE TO MS. LOCHBAUM’S REQUEST THAT USSC BE**
2 **REQUIRED TO PROVIDE REIMBURSEMENT TO HER?**

3 A. Ms. Lochbaum makes the general allegation that “USSC should share in the
4 responsibility for [her] extremely high water consumption.” I have already commented on
5 Ms. Lochbaum’s consumption history, which I believe explains her consumption levels.
6 Moreover, Ms. Lochbaum does not provide any evidence that the water supplied was not
7 used by her, or that USSC is somehow responsible for her excessive water use. Despite her
8 long history of heavy usage, Ms. Lochbaum did not previously take any steps to “investigate
9 or manage [her] high consumption” and it would be unreasonable for USSC to reimburse
10 Ms. Lochbaum for water which she does not deny consuming.

11 **Q. MS. LOCHBAUM FURTHER REQUESTS THAT THE COMMISSION REVERSE**
12 **THE PASS THROUGH MECHANISM RETROACTIVELY FROM THE DATE OF**
13 **ITS INCEPTION AND ASSERTS THAT THIS WILL RESULT IN A CREDIT TO**
14 **HER AND OTHER CUSTOMERS; WHAT COMMENT DO YOU HAVE ON THIS**
15 **REQUEST AND ASSERTION?**

16 A. As I have previously explained, the Company has applied the pass through provision
17 of its Commission approved rate schedule appropriately and has recovered from customers
18 no more than the costs incurred by USSC in obtaining bulk water from the City of Columbia.
19 Therefore, any requirement that USSC credit or refund customer accounts would result in an
20 impermissible retroactive reduction of these customers’ rates. Furthermore, while Ms.
21 Lochbaum suggests that such a reimbursement would result in a credit for herself and other
22 distribution-only customers, many other customers, including USSC’s full service customers,

1 would necessarily be subjected to rate **increases** in order to reflect the inclusion of bulk
2 water expenses in USSC's general rate structure. Also, if such a refund were allowed, USSC
3 should similarly be allowed to recover the cost of the refund resulting in a one-time
4 assessment from the rest of its customer base; otherwise, the Company would be unable to
5 recover its already incurred expenses and would not be allowed to earn a fair return on its
6 investment. Such a request by Ms. Lochbaum is clearly unreasonable, would work an undue
7 hardship on the Company and many of its other customers throughout South Carolina, and is
8 simply inconsistent with long-standing regulatory practices.

9 **Q. DO YOU HAVE ANY FURTHER RESPONSE TO MS. LOCHBAUM'S**
10 **TESTIMONY REGARDING UNACCOUNTED FOR WATER?**

11 A. Yes, I do. Ms. Lochbaum states that USSC has experienced "extreme water loss" in
12 the Dutchman Shores subdivision. In order to address this allegation, it is first important to
13 understand how and where water is consumed and used on a water system. Water supply is
14 primarily consumed by customers and is directly recorded through the use of water meters
15 which register the gallons each customer consumes. However, certain amounts of water are
16 also consumed by the utility in its provision of water service. This water consumption is
17 typically referred to as "non-account water" and includes water consumed by the utility to
18 flush water lines so as to provide safe and reliable water service. USSC performs regular
19 flushing to ensure the provision of safe and reliable water service by removing buildup of
20 minerals and other deposits and improving water quality. A flushing program such as that
21 employed by USSC and approved by the South Carolina Department of Environmental
22 Control necessarily consumes large amounts of water on the system which contributes to the

1 amount of water purchased from bulk suppliers.

2 Non-account water also includes documented water loss incurred due to main breaks
3 or leaks. While USSC employs a maintenance program and a capital improvements program
4 on its water systems, the nature of providing utility water services unfortunately results in
5 unavoidable main breaks and water leaks. In accordance with the American Waterworks
6 Association, or AWWA, standard, water consumed as a result of leaks or breaks is properly
7 included as non-account water when the Company can identify the amount of water lost.

8 The remaining amount of water is typically referred to as “unaccounted for water.”
9 Unaccounted for water largely consists of undetected leaks or other forms of water loss. For
10 example, as I testified in the Company’s most recent rate case, USSC became aware of leaks
11 on only a few of its systems which went undetected for a period of time. Unfortunately, these
12 leaks did not manifest themselves in surface water ponding and, as such, were very difficult
13 to locate. In order to limit water loss from these types of events, the Company undertook a
14 water audit in accordance with AWWA standards in all systems where unaccounted for water
15 either exceeds the 10% standard deemed acceptable by the AWWA or was a negative
16 number. In addition, in all water systems that exceeded that standard, the Company
17 implemented a leak detection program and began recording all account water use, requested
18 permission of bulk water providers to test their master meters, and compared those test
19 results to customer meters, in order to assist in determining the cause of both excess
20 unaccounted for water and negative unaccounted for water.

21 **Q. DO YOU AGREE WITH THE CALCULATION SHOWN ON PAGE ONE OF MS.**
22 **LOCHBAUM’S TESTIMONY EXHIBIT “B” THAT UNACCOUNTED FOR WATER**

1 **IN DUTCHMAN SHORES SUBDIVISION WAS 13.23% FOR THE TWELVE-**
2 **MONTH PERIOD ENDING AUGUST 2008?**

3 A. Yes. But I would note that the unaccounted for water for the twelve-month period
4 ending October 2008 is only 4.72% using the figures shown on that exhibit.

5 **Q. WHY IS THAT SIGNIFICANT?**

6 A. Because it demonstrates that unaccounted for water figures will vary from time to
7 time over any given twelve month period. The Commission has previously accepted a 10%
8 unaccounted for water standard as being reasonable and appropriate in its Order Number
9 2002-866 in Docket Number 2002-239-W/S, dated December 23, 2002. Therefore, I
10 disagree that the Dutchman Shores subdivision has experienced “extreme water loss” as Ms.
11 Lochbaum asserts.

12 **Q. WOULD YOU PLEASE ADDRESS THE PORTION OF MS. LOCHBAUM’S**
13 **TESTIMONY REGARDING THE AMOUNT OF WATER USED BY USSC IN**
14 **FLUSHING THE DUTCHMAN SHORES SYSTEM?**

15 A. Yes. Ms. Lochbaum questions how system flushing could use exactly 40,000 gallons
16 during each of flushing. The number of gallons used in system flushing is calculated based
17 upon estimated flows from either hydrants or “blow-offs. Because the Company’s operators
18 have years of experience in the field performing what is a necessary and routine maintenance
19 task, we believe these estimates are reasonable in calculating the amount of water consumed
20 during flushing. Ms. Lochbaum also suggests that the Company should record the exact
21 amount of water consumed through flushing by reading the master meter before and after
22 flushing. This procedure is not feasible, however, as a review of flow at a bulk master meter

1 will not record gallons used in flushing since flow at the master meter would simultaneously
2 reflect both customer consumption and system usage. ORS has suggested that the Company
3 meter individual blow-off valves and hydrants in Dutchman Shores. USSC is of the view
4 that this is not necessary and would be unduly expensive. In addition to the reliability of the
5 estimates made by our operators based on their years of experience in the field which makes
6 such an effort unnecessary, the cost to do this would be significant. Each of our field staff
7 would be required to have two types of meters, one for hydrants and one for blow-offs, that
8 would cost about \$600 to \$800 each with necessary fittings. All of the blow-offs would need
9 to be upgraded so as to allow the installation of a “flushing meter.” The total cost could run
10 in excess of \$25,000 if this is required.

11 **Q. DO YOU HAVE ANY COMMENTS WITH RESPECT TO MS. LOCHBAUM’S**
12 **TESTIMONY THAT USSC HAS ATTEMPTED TO “HIDE” WATER LOSS?**

13 A. Yes. The first page of Exhibit “B” to Ms. Lochbaum’s testimony is based upon a
14 spreadsheet USSC provided to ORS. Ms. Lochbaum suggests that USSC added data for the
15 months of September and October 2008 in an attempt to “defray the appearance of ‘extreme’
16 water loss. This is untrue. As I have previously stated, USSC experienced billing difficulties
17 in June and July of 2008 when it implemented its CCB program. As I have also previously
18 mentioned, customer consumption associated with USSC’s billing cycles do not precisely
19 match the time periods associated with the City of Columbia bulk bills to USSC. This is best
20 exemplified in the percentage of unaccounted-for water experienced in September 2008
21 shown on Ms. Lochbaum’s Exhibit B. There, the exhibit reflects that the Company sold
22 approximately 50% more water than it purchased from its bulk supplier, the City of

1 Columbia. This large deviation clearly results in part from a timing discrepancy between
2 bills rendered by the bulk supplier and bills rendered by USSC. Therefore, in order to
3 provide a more accurate picture of unaccounted for account water in the Dutchman Shores
4 system, I felt it necessary to include the additional data from September and October 2008 to
5 correct this discrepancy. I would note that Ms. Lochbaum seeks to use data for a twelve
6 month period which excludes September and October of 2008; but when those months are
7 included in a twelve month period, unaccounted for water in the Dutchman Shores
8 Subdivision is only 4.72% – which is far below the AWWA 10% standard and the standard
9 the Commission has observed.

10 **Q. ARE YOU AWARE OF ANY INVESTIGATION OF POTENTIAL WATER LOSS IN**
11 **THE DUTCHMAN SHORES SUBDIVISION?**

12 A. Yes. We conducted our own investigation and found no evidence of significant
13 system leaks. Also, I am aware that that ORS has investigated and studied unaccounted for
14 water issues on USSC's entire system, including Dutchman Shores. USSC has fully
15 cooperated with ORS in this study and provided copies of all documentation requested.

16 **Q. WOULD YOU PLEASE ADDRESS MS. LOCHBAUM'S ALLEGATION THAT**
17 **USSC MAY BE USING MORE THAN AN APPROPRIATE PORTION OF**
18 **EMPLOYEE LABOR COSTS FOR JUSTIFICATION IN THE USSC RATE CASES?**

19 A. Yes. As the Commission is well aware from its nearly thirty years of experience
20 regulating subsidiaries of UI, Water Service Corporation, or WSC, is a wholly owned
21 subsidiary of UI that provides management services to USSC and other operating
22 subsidiaries in the sixteen states where UI has operations. These services include

1 management, administration, engineering, accounting, billing, data processing, and
2 regulatory services for the utility systems and are provided on the basis of a service
3 agreement that has been in effect for a number of years. Some expenses of WSC are charged
4 directly to the affiliated utility companies, while other expenses are classified as indirect
5 charges and are allocated to the operating companies via various allocation procedures which
6 have long been approved by the Commission. This allocation method helps ensure that each
7 subsidiary, and, therefore, each customer, bears its proportionate share of the costs related to
8 WSC's services. While WSC employees may perform work and services for several UI
9 subsidiaries in South Carolina, the costs related to this labor is either directly charged to
10 those companies or is allocated among the subsidiaries as appropriate. As the Commission's
11 decisions through the years accepting this arrangement reflect, this process is cost efficient
12 since it avoids duplication of these services and functions for each operating subsidiary. This
13 conclusion is tested in each rate case by an audit of the allocations and the records of WSC.
14 Therefore, Ms. Lochbaum's suggestion that the Company is recovering more than
15 appropriate portion of labor costs from its customers is incorrect and contrary to this
16 Commission's previous findings with respect to USSC and the other UI entities in South
17 Carolina.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 **A. Yes.**



August 7, 2008

RE: IMPORTANT INFORMATION REGARDING YOUR WATER AND/OR SEWER BILL

As previously announced, our company implemented a new Customer Care and Billing system approximately 60 days ago. There are many enhancements in our new system that will help us better serve our customers:

- Ability for real time dispatching of service requests to reduce service disruption time
- Increased operating efficiency
- Cleaner bill design which includes itemization of billing charges, graphs for consumption and billing history
- Billing more closely linked to the usage period, so customers can change their usage or detect possible leaks earlier

Transitioning to a new billing program requires an extensive amount of planning. Even with all of the planning that went towards the implementation of our new system, we experienced some unforeseen issues and have taken the necessary steps to resolve them. During the past 60 days, some of our customers may have experienced a few issues for which we would like to provide you an update:

- A small number of customers may have experienced a delayed first bill cycle, which then shortened the timeframe for their second bill or were billed for two periods together. ***This issue should be resolved after you have received your first two bills.***
- Some customer bills may have been delayed or not received. ***If any of the system start-up issues have caused a late fee to be assessed to your account, they will be automatically waived. You do not need to call Customer Service to be credited for the late fee; these specific late fees will be credited on an upcoming bill.***
- The initial system conversion has caused a greater number of bills to be estimated during this time and in most cases, *underestimated*. The impact of this is that customers may see a higher subsequent bill when the actual read is taken. ***If you are not on an increasing tiered usage rate, your account will be current after you receive a bill based on an actual reading. You are not being billed for any water you have not used, you are just being billed later for that usage. If you DO have an increasing tiered usage rate and your usage was estimated, Customer Service is reviewing your bill and you will receive an adjustment on an upcoming bill. In either case, no action is required on your part.***

As a result of this change, we temporarily received a higher than usual call volume and longer than desired wait times. We value our relationship we have with each of our customers and I apologize for any inconvenience that this transition period may have caused you. We know your time is important. It is our expectation that our new Customer Care and Billing system will be a vast improvement over our prior system and I welcome feedback from you at president.ccb@uiwater.com. In addition, further information can be found at www.uiwater.com/ccbfaq.php.

As always, we look forward to our continued relationships and providing you with the high level of service you have come to expect from Utilities, Inc.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Schumacher".

Larry Schumacher
President and CEO

Building Code Ordinance

County of Lexington



Adopted April 8, 2008

and related accessories as covered in this code. These requirements apply to gas piping systems extending from the point of delivery to the inlet connections of appliances and the installation and operation of residential and commercial gas appliances and related accessories.

1.4.3 Mechanical. The provisions of the *International Mechanical Code* shall apply to the installation, alterations, repairs and replacement of mechanical systems, including equipment, appliances, fixtures, fittings and/or appurtenances, including ventilating, heating, cooling, air-conditioning and refrigeration systems, incinerators and other energy-related systems.

1.4.4 Plumbing. The provisions of the *International Plumbing Code* shall apply to the installation, alteration, repair and replacement of plumbing systems, including equipment, appliances, fixtures, fittings and appurtenances, and where connected to a water or sewage system and all aspects of a medical gas system.

1.4.5 Fire Prevention. The provisions of the *International Fire Code* shall apply to matters affecting or relating to structures, processes and premises from the hazard of fire and explosion arising from the storage, handling or use of structures, materials or devices; from conditions hazardous to life, property or public welfare in the occupancy of structures or premises; and from the construction, extension, repair, alteration or removal of fire suppression and alarm systems or fire hazards in the structure or on the premises from occupancy or operation.

1.4.6 Energy Conservation. The provisions of the *International Energy Code* shall regulate the design of building envelopes for adequate thermal resistance and low air leakage and the design and selection of mechanical, electrical, service water-heating, and illumination systems and equipment which will enable effective use of energy in new building construction. It is intended that these provisions provide flexibility to permit the use of innovative approaches and techniques to achieve effective utilization of energy.

SECTION 604
DESIGN OF BUILDING WATER
DISTRIBUTION SYSTEM

604.8 Water-pressure reducing valve or regulator. Where water pressure within a building exceeds 80 psi (552 kPa) static, an approved water-pressure reducing valve conforming to ASSE 1003 with strainer shall be installed to reduce the pressure in the building water distribution piping to 80 psi (552 kPa) static or less.

Exception: Service lines to sill cocks and outside hydrants, and main supply risers where pressure from the mains is reduced to 80 psi (552 kPa) or less at individual fixtures.

604.8.1 Valve design. The pressure-reducing valve shall be designed to remain open to permit uninterrupted water flow in case of valve failure.

Billing Address - 221 Dutchman Shores Circle				
<u>Bill Date</u>		<u>Service Period</u>		<u>Consumption</u>
		<u>Ended</u>		<u>in Gallons</u>
11/14/2006		10/23/2006		2260
12/13/2006		11/20/2006		2650
1/9/2007		12/25/2006		
2/8/2007		1/24/2007		3020
3/7/2007		2/22/2007		17530
4/9/2007		3/21/2007		6840
5/9/2007		4/19/2007		14020
6/6/2007		5/23/2007		8130
7/9/2007		6/20/2007		5780
8/7/2007		7/25/2007		31580
9/10/2007		8/21/2007		50660
10/9/2007		9/24/2007		28430
11/7/2007		10/24/2007		9600
12/10/2007		11/21/2007		4830
1/10/2008		12/23/2007		82940
2/8/2008		1/21/2008		4260
3/7/2008		2/20/2008		4140
4/7/2008		3/23/2008		4510
5/8/2008		4/24/2008		10920
6/18/2008		5/21/2008		19160
9/22/2008		7/25/2008		65100
10/26/2008		9/22/2008		33880
12/11/2008		10/21/2008		8700
1/15/2009		11/21/2008		3720
3/3/2009		12/17/2008		3110
3/26/2009		1/20/2009		3930
Average				16527

Current Method of Recovering Pass through Amount by Using Delayed Bulk Bill				
	April Customer Bill Using Actual December Bulk Bill	April Customer Bill Using Actual February Bulk Bill	August Customer Bill Using Actual June Bulk Bill	October Customer Bill Using Actual August Bulk Bill
Number of Customers in Subdivision	100	100	100	100
Assumed Metered Consumption per Customer (gallons)	6,000	10,000	10,000	6,000
Amount of Bulk Bill to USSC	\$2,000.00	\$2,000.00	\$5,000.00	\$5,000.00
Per 1000 Gallon Pass Through Charge	\$3.33	\$2.00	\$5.00	\$8.33
Customer Pro Rata Share of Bulk Bill Based on Current Month Consumption	\$20.00	\$20.00	\$50.00	\$50.00

Proposed Method of Recovering Pass Through Amount by Estimating Bulk Bill				
	August Customer Bill Using Estimated August Bulk Bill	October Customer Bill Using Estimated October Bulk Bill	February Customer Bill Using Estimated February Bulk Bill	April Customer Bill Using Estimated April Bulk Bill
Number of Customers in Subdivision	100	100	100	100
Assumed Metered Consumption per Customer (gallons)	10,000	6,000	6,000	10,000
Amount of Bulk Bill to USSC	\$5,000.00	\$2,000.00	\$2,000.00	\$5,000.00
Per 1000 Gallon Pass Through Charge	\$5.00	\$3.33	\$3.33	\$5.00
Customer Pro Rata Share of Bulk Bill Based on Current Month Consumption	\$50.00	\$20.00	\$20.00	\$50.00

Pass-through Amounts		
Year	Month	Pass-through Total
2007		
	9	\$ 4,664.52
	10	\$ 3,898.58
	11	\$ 3,188.25
	12	\$ 2,628.60
2008		
	1	\$ 2,685.93
	2	\$ 2,577.41
	3	\$ 2,455.52
	4	\$ 2,170.22
	5	\$ 2,419.12
	6	\$ 2,533.65
	7	\$ 17.74
	8	\$ 2,856.20
	9	\$ 6,987.37
	10	\$ 1,593.73
	11	\$ 5,569.45
Total		\$ 46,246.29

12-month Period	Total Pass-through Amount during Period	Percentage of Total Bulk Bill (\$33,890.66)
9/2007 to 8/2008	\$32,095.74	94.70%
10/2007 to 9/2008	\$34,418.59	101.56%
11/2007 to 10/2008	\$32,113.74	94.76%
12/2007 to 11/2008	\$34,494.94	101.78%
Total	\$133,123.01	
Average 12-month Billing Period Pass-through Amount	\$33,280.75	98.20%

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-39-W

IN RE:)
)
Lisa Lochbaum,)
)
Complainant/Petitioner)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
)
Defendant/Respondent.)
_____)

CONDITIONAL
DIRECT TESTIMONY
OF
BRUCE T. HAAS

1 **Q. ARE YOU THE SAME BRUCE T. HAAS THAT HAS PREFILED DIRECT**
2 **TESTIMONY IN THIS MATTER?**

3 A. Yes, I am.

4 **Q. WHAT IS THE PURPOSE OF YOUR CONDITIONAL DIRECT TESTIMONY IN**
5 **THIS PROCEEDING, MR. HAAS?**

6 A. The purpose of my conditional direct testimony is to address allegations made by Ms.
7 Lochbaum in her prefiled direct testimony regarding adjustments made by Utilities Services
8 of South Carolina, Inc. ("USSC") on the accounts of two properties in the Dutchman Shores
9 subdivision.

1 **Q. WHY IS THIS TESTIMONY BEING FILED AS “CONDITIONAL” DIRECT**
2 **TESTIMONY?**

3 A. It is my understanding that portions of Ms. Lochbaum’s testimony may be
4 objectionable on the grounds of hearsay. If her testimony is not allowed, then this testimony
5 would not be necessary.

6 **Q. DO YOU HAVE ANY RESPONSE TO MS. LOCHBAUM’S ALLEGATION THAT**
7 **USSC DID NOT MAKE AN ADJUSTMENT TO THE CUSTOMER’S ACCOUNT AT**
8 **103 HARDING STREET IN THE DUTCHMAN SHORES SUBDIVISION?**

9 A. Yes. Contrary to Ms. Lochbaum’s testimony that the resident at 103 Harding Street
10 did not receive a credit for a water leak at her property, USSC’s billing records, a copy of
11 which is attached to my conditional direct testimony as Exhibit A, demonstrates that, on
12 March 19, 2008, USSC credited this customer for a water leak of 895 gallons.

13 **Q. DO YOU HAVE ANY RESPONSE TO MS. LOCHBAUM’S TESTIMONY THAT**
14 **WATER CONSUMPTION SHOWN ON A MISREAD METER SHOULD NOT BE**
15 **COUNTED AS PART OF ACCOUNTED WATER LOSS?**

16 A. Yes, Ms. Lochbaum is mistaken in this regard. In January 2008, a misread meter at
17 132 Harding Street in the Dutchman Shores subdivision incorrectly reflected that the
18 customer had consumed 75,196 gallons of water more than was actually consumed. The
19 misreading had the effect of inflating the amount of water sold to customers by 75,196
20 gallons. As is shown on Exhibit B of Ms. Lochbaum’s direct testimony, the inflated
21 consumption suggested that more water was sold to customers than was actually purchased
22 from bulk suppliers; therefore, the Company’s unaccounted for water calculations incorrectly

1 reflected a negative amount of unaccounted for water for the month of January 2008. In
2 order to correct this discrepancy and to offset the misread gallonage of water which was
3 included in January 2008, an adjustment was made to the March 2008 unaccounted for water
4 calculations. This adjustment had the effect of simply offsetting the incorrect meter reading
5 in January 2008. If this adjustment had not been made and was not reflected in the data
6 shown in Ms. Lochbaum's Exhibit B, the total amount of unaccounted for water shown
7 would actually be understated.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 **A. Yes.**

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-39-W

IN RE:)
)
Lisa Lochbaum,)
Complainant/Petitioner)
)
v.)
)
Utilities Services of South Carolina, Inc.,)
Defendant/Respondent)
_____)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of the **Direct Testimony of Bruce T. Haas and Conditional Direct Testimony of Bruce T. Haas** in the above-referenced action by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Lisa Lochbaum
221 Dutchman Shores Circle
Chapin, SC 29036

Jeffrey M. Nelson, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211



Clark Fancher

Columbia, South Carolina
This 6th day of July, 2009.